

Closing the General Ledger

At the end of each fiscal year, the books (General Ledger) of the LEA are “closed.” Closing the books is the accounting process in which the accounts are adjusted to reflect the most current balances, and the budgetary and operating accounts of the LEA are closed. Closing the books separates the financial transactions by year and measures the results of operations of a fund for the year. The closing process is accomplished through adjustments of prior years’ accruals, the current year’s accruals, and closing entries.

Adjustments of Prior Years’ Accruals

It may be necessary to adjust the prior year’s accruals because the amounts actually received (A/R) or paid (A/P) were greater or less than the amounts which had been accrued or because of changes resulting from information available at a later date. Adjustments should be charged to *current year’s revenue and expenditure accounts and not to the fund balance account*.

For example, assume that the LEA overestimated its accounts receivable in the prior year by the following amounts:

(1)	(2)	(3)	(3-2))
<i>Revenue source</i>	<i>Prior year’s accrual</i>	<i>Actual received</i>	<i>Difference (adjustment)</i>
Voc. Ed. Handicapped Students (8418)	\$20,000.00	\$18,000.00	-\$2,000.00
Job Training Partnership Act (8170)	15,000.00	13,000.00	<u>-2,000.00</u>
Total Adjustment			- \$4,000.00

The Closing Entries

The purposes of the closing entries are to (1) transfer the balances of the encumbrance (9830), revenue (9840) (and other sources [9845]), and expenditure (9850) (and other uses [9855]) accounts to the LEA’s Undesignated/Unappropriated Fund Balance account (9790); and (2) close the LEA’s Estimated Revenue (9810), Estimated Other Financing Sources (9815), Appropriations (9820), Estimated Other Financing Uses (9825), and Reserve for Encumbrances (9620) accounts.

The following closing entries will be necessary at the end of year:

To Close Revenues and Expenditures

The following example illustrates how Revenues and Expenditures are closed.

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	9840 Revenue	xxxx	
	9850 Expenditures		xxxx
	9790 Undesignated/Unappropriated Fund Balance		xxxx

Account *Subsidiary Revenue Ledger*

8011	Principal Apportionment-Current Year	xxxx
8041	Secured Roll Taxes	xxxx
8042	Unsecured Roll Taxes	xxxx
8110	Maintenance and Operations	xxxx
8170	Job Training Partnership Act	xxxx
8331	Gifted and Talented Pupils	xxxx
8342	Home-to-School Transportation	xxxx
8799	Other Transfers In	xxxx

Account *Subsidiary Appropriation Ledger*

1100	Teachers' Salaries	xxxx
1200	Administrators' Salaries	xxxx
1300	Supervisors' Salaries	xxxx
1400	Librarians' Salaries	xxxx
1500	Guidance, Welfare, and Attendance Salaries	xxxx
1600	Physical and Mental Health Salaries	xxxx
1700	Superintendents' Salaries	xxxx
1800	Other Administrative Salaries	xxxx
1900	Other Certificated Salaries	xxxx
2100	Instructional Aides' Salaries	xxxx
2200	Administrative Salaries	xxxx
2300	Clerical Salaries	xxxx
2400	Maintenance and Operations Salaries	xxxx
2500	Food Service Salaries	xxxx
2600	Transportation Salaries	xxxx
2900	Other Classified Salaries	xxxx
3100	State Teachers' Retirement System	xxxx
3200	Public Employees' Retirement System	xxxx
3300	Old Age, Survivors, Disability, and Health Insurance	xxxx
3400	Health and Welfare Benefits	xxxx
3500	Unemployment Insurance	xxxx
3600	Workers' Compensation Insurance	xxxx
4100	Textbooks	xxxx
4200	Other Books	xxxx
4300	Instructional Materials and Supplies	xxxx
4500	Other Supplies	xxxx
5100	Contracts for Personal Services of Consultants, Lecturers, and Others	xxxx
5200	Travel and Conferences	xxxx
5300	Dues and Memberships	xxxx
5400	Insurance	xxxx
5500	Utilities and Housekeeping Services	xxxx
5600	Rentals, Leases, and Repairs	xxxx
5700	Direct Costs-Interfund Services	xxxx
5800	Other Services and Operating Expenditures	xxxx
6100	Sites and Improvement of Sites	xxxx
6200	Buildings and Improvement of Buildings	xxxx
6300	Books and Media for New or Expanded Libraries	xxxx
6400	Equipment	xxxx
6500	Equipment Replacement	xxxx
7190	Other Tuition	xxxx

Note: The other financing sources and other financing uses are treated in the same manner as revenue and expenditures for purposes of the closing process.

To Close Estimated Revenue and Appropriations

Assume that at the end of the year, the balances in the accounts are as follows:

9810	Estimated Revenue	\$641,264.00 Dr
9820	Appropriations	603,400.00 Cr

To close these accounts, close the ending balances to account 9790, Undesignated/Unappropriated Fund Balance, as shown in the following entry:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
6-30-93	9820 Appropriations	\$603,400.00	
	9790 Undesignated/Unappropriated Fund Balance	37,864.00	
	9810 Estimated Revenue		\$641,264.00

To Close Encumbrances

All of the encumbrances that are outstanding at the end of the year are disencumbered as follows:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	9620 Reserve for Encumbrances	xxxx	
	9830 Encumbrances		xxxx

